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Ms. Jocelyn Boyd
Chief Clerk and Administrator
South Carolina Public Service Commission
Synergy Business Park, The Saluda Building
101 Executive Center Drive
Columbia, South Carolina 29210

Re: Office of Regulatory Staff Petition to Review FCC Mandated
Reductions to Interstate Access Tariffs
Docket No. 2012-136-C

Dear Ms. Boyd,

I am writing on behalf of the South Carolina Telephone Coalition ("SCTC") to inform the Commission regarding developments that have taken place at the federal level regarding the state proceeding referenced above.

As you know, on May 15, 2012, SCTC filed a Petition in this docket asking the Commission to confirm that revenues received from the Interim LEC Fund ("ILF") are intrastate switched access revenues, and to provide instructions as to the reporting and treatment of such revenues for purposes of implementing the recent order of the Federal Communications Commission ("FCC") regarding intercarrier compensation reform.¹ On June 13, 2012, the Commission voted to adopt a proposed order filed by the SCTC, and on June 20, 2012, the Commission issued Order No. 2012-479, finding that SC ILF revenues are revenues from bulk-billed intrastate switched access service and, therefore, that ILF should be treated as tariffed switched access for purposes of determining participating local exchange carriers' Eligible Recovery amount in transitioning to the federal recovery mechanism. The Commission directed those LECs who receive funding from ILF to make the appropriate filings, including supporting documentation, to reflect reductions in the rates for intrastate switched access in accordance with the FCC's *USF-ICC Reform Order*. The Commission further directed the Office of Regulatory Staff ("ORS"), as Administrator of the ILF, to "use reasonable methodologies and procedures, consistent with the FCC's

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¹ *Report and Order and Further Notice of Proposed Rulemaking, Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing an Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform – Mobility Fund*, WC Docket Nos. 10-90, 07-135, 05-337, 03-109; GN Docket No. 09-51; CC Docket Nos. 01-92, 96-45; WT Docket No. 10-208; and FCC 11-161, rel. Nov. 18, 2011 ("*USF-ICC Reform Order*").

USF-ICC Reform Order, to calculate and to transition the terminating switched access portion of the ILF for each participating LEC into the federal recovery mechanism, and to make appropriate adjustments to the ILF to account for such transition.”²

On or around June 18, 2012, SCTC members filed interstate access tariffs and backup information in compliance with orders of the Federal Communications Commission (“FCC”) implementing universal service and intercarrier compensation reform.³ In accordance with Commission Order No. 2012-479, the interstate access tariffs and backup information filed with the FCC included Interim LEC Fund revenues in the companies’ Eligible Recovery amounts and, therefore, in their calculation of the tariffed Access Recovery Charge (“ARC”) implemented by the companies.

On July 2, 2012, the Acting Chief of the Wireline Competition Bureau, by delegated authority, issued an order suspending for one day the ARC rates contained in the 2012 annual access tariffs of all issuing carriers that are charging an ARC, and instituting an investigation of the tariffs.⁴ The order directed all issuing carriers charging an ARC to keep an accurate account of all amounts received that were associated with the rates subject to the investigation.⁵ The Wireline Competition Bureau Chief subsequently issued an Order on Reconsideration, in which it reconsidered its decision to suspend and investigate the ARC rates contained in the annual access tariffs filed by certain carriers, including CenturyLink, Frontier Communications, and Windstream Communications.⁶ The Bureau concluded that those carriers had either correctly calculated their Fiscal Year 2011 revenues and their Eligible Recovery amounts in their initial tariff filings or had corrected such calculations in subsequent amendments to their tariff filings.⁷

At this time, the scope of the FCC’s investigation is not entirely clear. However, the FCC indicated that it would be reviewing the manner in which carriers calculated their Eligible Recovery amounts.⁸ The FCC will issue a designation order identifying the specific issues that will be the subject of the investigation, which “may include, but not be limited to,” the issues identified in the *Suspension Order*.⁹ While the tariffs for each of the SCTC members remains under review, we understand that the FCC is working to try to quickly clear as many tariffs as possible, and we expect the majority if not all of the SCTC company tariffs to be cleared by the FCC before it issues its designation order in the near future. We believe the forthcoming designation order will also clarify

² Order No. 2012-479 at p. 9, Findings and Conclusions ¶ 5.

³ See *USF-ICC Reform Order*; see also *In the Matter of Material to be Filed in Support of 2012 Annual Access Tariff Filings*, WCB/Pricing File No. 12-08, DA 12-482 (Wireline Comp. Bur., rel. Mar. 28, 2012) (Scheduling Order) and DA 12-575 (Wireline Comp. Bur., rel. Apr. 19, 2012) (Tariff Review Plan Order).

⁴ *In the Matter of July 3, 2012 Annual Access Charge Tariff Filings*, Order, DA 12-1037, WCB/Pricing No. 12-09 (rel. July 2, 2012) (“*Suspension Order*”).

⁵ *Id.* at ¶ 12.

⁶ *In the Matter of July 3, 2012 Annual Access Charge Tariff Filings*, Order, DA 12-1231, WCB/Pricing No. 12-09 (rel. August 1, 2012) (“*Order on Reconsideration*”).

⁷ *Id.* at ¶ 4.

⁸ See *id.* at ¶¶ 5-7.

⁹ *Id.* at ¶ 8.

the scope of the FCC's investigation. To the extent any uncertainty remains following issuance of the FCC's designation order, we anticipate that all issues will be finally resolved not later than December 3, 2012. *See* 47 U.S.C. § 204(a)(2)(A) (tariff investigations must be concluded within 5 months after the date that the charge, classification, regulation, or practice subject to the investigation becomes effective).

If you should have any questions about the information contained in this letter, please do not hesitate to contact me. We are serving all parties with a copy of this letter.

Very truly yours,

MCNAIR LAW FIRM, P.A.

A handwritten signature in black ink, appearing to read "M. John Bowen, Jr.", written in a cursive style.

M. John Bowen, Jr.

cc: Parties of Record
F. David Butler, Esquire